

How BEA Aligns and Augments Source Data From the U.S. Treasury Department for Inclusion in the International Transactions Accounts

Like most of the U.S. economic accounts produced by the Bureau of Economic Analysis (BEA), the estimates of financial-account flows in the international transactions accounts (ITAs) are based on source data collected by other Government agencies--in this case, by the Treasury International Capital (TIC) Reporting System of the U.S. Department of the Treasury. The presentation of the adjustments undertaken by the BEA to align and to augment these data for inclusion in the financial account can help data users reconcile BEA's financial flow estimates with the TIC data that are available to the public on the Treasury Department's Web site and in the *Treasury Bulletin*.

The relationship between the estimates in the ITAs that are prepared by BEA and the data from the TIC reporting system are shown in tables 1-3. Table 1 presents the estimates of transactions in foreign long-term securities; in U.S. long-term securities, excluding U.S. Treasury securities; and in U.S. Treasury securities. Table 2 presents the estimates of claims on, and liabilities to, foreigners reported by U.S. non-banking concerns, and table 3 presents the estimates of claims on, and liabilities to, foreigners reported by U.S. banks.

In tables 1-3, the numerous adjustments that BEA makes to the TIC source data in order to align the data with balance-of-payments concepts and to close gaps in coverage are identified. In addition, examples of both types of adjustments are presented below.

Aligning with balance-of-payments concepts. The TIC data for gross U.S. purchases of foreign stocks and bonds (table 1, line A1) include the commissions that are paid by the U.S. purchasers to foreign bro-

kers. In the ITAs, the payments of commissions to foreigners are treated as payments for financial services, not as purchases of securities, and these payments are included in the current account, not in the financial account. Therefore, BEA adjusts the TIC data for gross U.S. purchases by subtracting an estimate of the payments of brokerage commissions (line A3) from the data for gross purchases.

The TIC data for gross U.S. sales of foreign stocks and bonds (line A6) represent the proceeds from sales less the commissions paid by U.S. sellers to foreign brokers. In the ITAs, the payments of commissions to foreign brokers are treated as payments for financial services, not as transactions in securities. Therefore, BEA adds an estimate of the payments of brokerage commissions (line A7) to the TIC sales data.

Closing gaps in coverage. The TIC data for gross U.S. purchases of foreign stocks and bonds do not fully cover some transactions, such as acquisitions of U.S. companies by foreigners who finance their purchases through exchanges of stock. These stock swap transactions may bypass the U.S. brokers and dealers who are the primary respondents to the TIC survey on securities transactions. When stock is exchanged, the U.S. persons who previously held securities in the acquired U.S. company receive shares in the acquiring foreign corporation, and the receipt of these shares should be recorded in the ITAs as the acquisition, or purchase, of foreign long-term securities.

In order to account for this gap in coverage in the TIC data, BEA adds an estimate of security swap transactions and other coverage adjustments (line A2) to the TIC data.

Table 1. Relation of Transactions in Foreign Long-Term Securities, U.S. Long-Term Securities Excluding U.S. Treasury Securities, and U.S. Treasury Securities in the U.S. International Accounts (ITAs) to Treasury International Capital (TIC) Reporting System Data

[Millions of dollars]

Line	2002 ^r	2003 ^r	2004 ^p	
Foreign Long-Term Securities (Credits +; decrease in U.S. assets. Debits -; increase in U.S. assets.)				
A1	Gross U.S. purchases of foreign stocks and bonds, TIC	2,613,034	2,959,722	3,228,643
2	Plus: Security swap transactions and other coverage adjustments	75,797	90,041	-6,467
3	Minus: Brokerage commissions	544	509	595
4	Plus: Underwriting and private placement fees	858	1,132	1,130
5	Equals: Gross U.S. purchases of foreign stocks and bonds, ITAs	2,689,145	3,050,386	3,222,711
6	Gross U.S. sales of foreign stocks and bonds, TIC	2,640,033	2,893,832	3,119,758
7	Plus: Brokerage commissions	544	490	570
8	Plus: Coverage adjustment for gross sales			
9	Equals: Gross U.S. sales of foreign stocks and bonds, ITAs	2,640,577	2,894,322	3,120,328
10	Net U.S. purchases of foreign stocks and bonds, TIC (A6 - A1)	26,999	-65,890	-108,885
11	Plus: Coverage adjustments ((A7 + A8) - (A2 - A3 + A4))	-75,567	-90,174	6,502
12	Net U.S. purchases of foreign long-term securities, ITAs (A9 - A5) (table 1, line 52)	-48,568	-156,064	-102,383
U.S. Long-Term Securities, Excluding U.S. Treasury Securities (Credits +; increase in U.S. liabilities. Debits -; decrease in U.S. liabilities.)				
B1	Gross foreign purchases of other U.S. long-term securities, TIC	5,758,479	6,057,334	6,334,675
2	Plus: Security swap transactions and other coverage adjustments	6,628	2,200	(D)
3	Minus: Brokerage commissions	1,856	1,969	(D)
4	Plus: Underwriting and private placement fees	321	162	(D)
5	Equals: Gross foreign purchases of other U.S. long-term securities, ITAs	5,763,572	6,057,727	6,369,903
6	Gross foreign sales of other U.S. long-term securities, TIC	5,330,835	5,595,291	5,782,621
7	Plus: Brokerage commissions	1,747	1,833	1,828
8	Plus: Coverage adjustment for gross sales	113,570	189,079	164,416
9	Equals: Gross foreign sales of other U.S. long-term securities, ITAs	5,446,152	5,786,203	5,948,865
10	Net foreign purchases of other U.S. long-term securities, TIC (B1 - B6)	427,644	462,043	552,054
11	Plus: Coverage adjustments ((B2 - B3 + B4) - (B7 + B8))	-110,224	-190,519	-131,016
12	Net foreign purchases of other U.S. long-term securities, ITAs (B5 - B9) (table 1, lines 59 + 62 + 66)	317,420	271,524	421,038
13	Other U.S. Government securities, foreign official assets (table 1, line 59)	30,505	39,943	38,485
14	Other foreign official assets (table 1, line 62)	3,616	5,275	12,760
15	Other U.S. securities, other foreign assets (table 1, line 66)	283,299	226,306	369,793
U.S. Treasury Securities (Credits +; increase in U.S. liabilities. Debits -; decrease in U.S. liabilities.)				
C1	Gross foreign purchases of U.S. Treasury marketable bonds and notes, TIC	7,264,450	8,326,310	8,935,574
2	Minus: Brokerage commissions and other fees	545	624	671
3	Equals: Gross foreign purchases of U.S. Treasury marketable bonds and notes, ITAs	7,263,905	8,325,686	8,934,903
4	Gross foreign sales of U.S. Treasury marketable bonds and notes, TIC	7,144,529	8,049,597	8,583,589
5	Plus: Brokerage commissions and other fees	545	624	670
6	Plus: Coverage adjustment for gross sales	8,000	8,000	8,002
7	Equals: Gross foreign sales of U.S. Treasury marketable bonds and notes, ITAs	7,153,074	8,058,221	8,592,261
8	Net foreign purchases of U.S. Treasury marketable bonds and notes, TIC (C1 - C4)	119,921	276,713	351,985
9	Plus: Coverage adjustments -(C2) - (C5 + C6))	-9,090	-9,248	-9,343
10	Net foreign purchases of U.S. Treasury marketable bonds and notes, ITAs (C3 - C7)	110,831	267,465	342,642
11	Plus: Non-marketable bonds and notes	-643	-155	-982
12	Plus: Short-term U.S. Treasury obligations	50,681	22,001	37,946
13	Net foreign purchases of U.S. Treasury securities, ITAs (C10 + C11+ C12) (table 1, lines 58 + 65)	160,869	289,311	379,606
14	U.S. Treasury securities, foreign official assets (table 1, line 58)	60,466	184,931	272,648
15	U.S. Treasury securities, other foreign assets (table 1, line 65)	100,403	104,380	106,958

p Preliminary

r Revised

D Suppressed to avoid disclosure of data of individual companies.

Table 2. Relation of Claims on and Liabilities to Unaffiliated Foreigners Reported by U.S. Nonbanking Concerns, Except Securities Brokers, in the International Transactions Accounts (ITAs) to Treasury International Capital (TIC) Reporting System Data
[Millions of dollars]

Line		2002 ^r	2003 ^r	2004 ^p
	Claims (Credits +; decrease in U.S. assets. Debits -; increase in U.S. assets.)			
A1	Total claims outstanding, beginning of year, TIC	113,155	102,398	100,949
2	Total claims outstanding, end of year, TIC	102,398	100,949	143,401
3	Change in claims, TIC (A1 - A2)	10,757	1,449	-42,452
4	Minus: Valuation adjustments including unrealized exchange-rate gain or loss and other adjustments ¹	-13,296	-17,810	-10,575
5	Minus: Break in series		1,373	
6	Plus: Financial intermediaries' accounts ²	-23,445	-14,613	-10,614
7	Plus: Supplemental source data ³	-55,271	-28,127	-151,510
8	Plus: Other coverage adjustments ⁴	5,260	614	45,000
9	Equals: Claims on unaffiliated foreigners reported by U.S. nonbanking concerns, except securities brokers, ITAs (A3 - A4 - A5 + A6 + A7 + A8) (table 1, line 53)	-49,403	-24,240	-149,001
	Liabilities (Credits +; increase in U.S. liabilities. Debits -; decrease in U.S. liabilities.)			
B1	Total liabilities outstanding, beginning of year, TIC	66,718	67,304	73,935
2	Total liabilities outstanding, end of year, TIC	67,304	73,935	92,272
3	Change in liabilities, TIC (B2 - B1)	586	6,631	18,337
4	Minus: Valuation adjustments including unrealized exchange-rate gain or loss and other adjustments ¹	6,180	11,226	5,848
5	Minus: Break in series		-113	
6	Plus: Financial intermediaries' accounts ²	20,151	10,732	2,889
7	Plus: Supplemental source data ³	56,719	95,582	105,715
8	Plus: Other coverage adjustments ⁵	24,656	-2,156	3,265
9	Equals: Liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns, except securities brokers, ITAs (B3 - B4 - B5 + B6 + B7 + B8) (table 1, line 68)	95,932	99,676	124,358

^p Preliminary.

^r Revised.

¹ Includes only unrealized gains or losses on foreign-currency-denominated assets and liabilities.

² Financial intermediaries' accounts represent transactions between firms in a direct investment relationship (that is, between U.S. parents and their foreign affiliates or between U.S. affiliates and their foreign parent groups), where both the U.S. and the foreign firm are classified in a finance industry, but the firms are neither banks nor securities brokers.

³ Includes supplemental transactions from the Bank of England, the Bank for International Settlements (BIS) and the Federal Reserve Board.

⁴ Includes supplemental insurance transactions and adjustments to avoid double counting U.S. claims on foreigners.

⁵ Includes supplemental futures trading transactions and adjustments to avoid double counting U.S. liabilities to foreigners.

Table 3. Relation of Claims on and Liabilities to Foreigners Reported by U.S. Banks in the International Transactions Accounts (ITAs) to Treasury International Capital (TIC) Reporting System Data
[Millions of dollars]

Line		2002 ^r	2003 ^r	2004 ^p
	Claims (Credits +; decrease in U.S. assets. Debits -; increase in U.S. assets.)			
A1	Total claims outstanding, beginning of year, TIC	1,356,142	1,516,742	1,707,337
2	Total claims outstanding, end of year, TIC	1,516,742	1,707,337	2,135,453
3	Change in claims, TIC (A1 - A2)	-160,600	-190,595	-428,116
4	Minus: Valuation adjustments including unrealized exchange-rate gain or loss and other adjustments ¹	-10,199	-22,733	-9,130
5	Minus: Break in series	-120,099	-167,583	-49,399
6	Minus: Direct investment		296	669
7	Plus: Coverage adjustments including commercial paper and other adjustments ²	-7,958	-8,999	14,123
8	Equals: Claims on foreigners reported by U.S. banks, not included elsewhere, ITAs (A3 - A4 - A5 - A6 + A7) (table 1, line 54)	-38,260	-9,574	-356,133
	Liabilities (Credits +; increase in U.S. liabilities. Debits -; decrease in U.S. liabilities.)			
B1	Total liabilities outstanding, beginning of year, TIC	1,717,241	2,066,131	2,382,470
2	Total liabilities outstanding, end of year, TIC	2,066,131	2,382,470	2,904,069
3	Change in liabilities, TIC (B2 - B1)	348,890	316,339	521,599
4	Minus: Valuation adjustments including unrealized exchange-rate gain or loss and other adjustments	9,878	11,394	5,942
5	Minus: Break in series	105,800	132,882	86,485
6	Minus: Direct investment		4,744	-1,730
7	Plus: Coverage adjustments including short-term U.S. Treasury obligations and other adjustments ³	-115,581	-22,001	-37,946
8	Equals: Liabilities to foreigners reported by U.S. banks, not included elsewhere, ITAs (B3 - B4 - B5 - B6 + B7) (table 1, lines 61 + 69)	117,631	145,318	392,956
9	Liabilities to foreign official agencies (table 1, line 61)	21,221	48,643	70,329
10	Liabilities to other foreigners (table 1, line 69)	96,410	96,675	322,627

¹ Includes adjustments for claims on foreigners written off by U.S. reporters.

² Includes adjustments for supplemental transactions in foreign commercial paper and other instruments.

³ Includes adjustments for transactions that are included in other international transactions accounts, including transactions in short-term U.S. Treasury obligations and in other liabilities held in custody by U.S. reporters.